

Transport Select
Committee's inquiry into
Access to Ports
- A response from
GB Railfreight



Contents

Chapter 1: Summary of response	3
Chapter 2: What should be the priorities for improved access to ports and why?.....	5
Chapter 3: Is the delay in producing a National Policy Statement for National Road and Rail Networks creating a problem for improving access to ports? If so, in what ways and where?.....	6
Chapter 4: How satisfactory are the current and proposed decision-making structures, including Local Transport Boards?	7
Chapter 5: To what extent can investment in road and rail infrastructure influence the market and regional decision-making on port development?	8
Chapter 6: Are decisions on port development taking sufficient account of the traffic generated by ports and associated development needs?.....	9
Chapter 7: How realistic are current assumptions about rail's modal share of ports traffic? Under what circumstances could rail freight or inland shipping play a greater role in reducing port-related road freight?.....	10
Chapter 8: Are there any regulatory barriers to investment in ports? What could and should be done about them?.....	11

Chapter 1: Summary of response

1.1 GB Railfreight (GBRf) is one of the most dynamic companies in the railway industry. It is a rapidly growing business, having gone from 2 employees in 1999 to over 400 staff today, and it operates around 650 trains a week in the UK. This growth has been possible by the application of commercial principles to the rail freight industry. GBRf welcomes this inquiry as an opportunity to further open the market to competition.

1.2 GBRf operates from the ports of Tyne, Immingham, Liverpool, Felixstowe, Redcar, Blyth, Bristol, Southampton, Hull, Cardiff, and Teesport. Ports are the life source of our business and it is crucial that they are readily accessible to bulk and multimodal rail freight to allow them to work at maximum efficiency in order that they can be utilised to their full potential.

1.3 Rail freight is one of the most effective ways to transport goods across the country and, as such, is vital to the smooth running of Britain's economy. Indeed, it is responsible for moving over 100 million tonnes of goods across the country every year.¹ In order to keep the economy moving, it is essential that UK policy-makers at all levels create suitable conditions for rail freight operators to access UK ports and for investors to make long-term decisions to support growth and jobs.

1.4 The economic significance of the rail freight industry, and therefore the importance of proper access to ports, should not be thought of in terms of running trains; it should be measured against each commodity we deal with:

- 1.4.1 Intermodal: Overall, 28% of deep sea containers that arrive or depart from the major ports are transported by rail.² However, it is not just container traffic that is important. Other commodities which rail freight transports are crucial to the economy (see 1.4.1 – 1.4.7).
- 1.4.2 Coal: Gas prices are so high, coal has become 40% of the UK energy source, 50% at its peak. GBRf hauls 30% of the coal haulage on our railways.
- 1.4.3 Biomass: Biomass offers the UK a renewable, low carbon fuel and can help significantly reduce the net carbon emissions when compared with fossil fuels. With biomass representing a crucial future replacement to coal in the UK, and equating to two-thirds of the density of the fossil fuel, it is essential that the right conditions are set to ensure suitable rail freight transportation of biomass in the future.
- 1.4.4 Petroleum: GBRf works with Greenergy, a leading supplier of petrol, biofuel and diesel, to haul its road fuel around the UK. Greenergy supplies around a fifth of the UK's entire road fuel, making 120,000 deliveries per year to supermarkets, oil companies and forecourts.
- 1.4.5 Retail sector: The retail sector is now looking towards rail to offer environmentally sound, economically efficient logistics solutions as part of its supply chain package. Rail is now performing the trunk movement from import point to distribution centre, with road performing the final delivery to stores like Tesco.
- 1.4.6 Aggregates: The only way to build our economy and infrastructure up is through the efficient transfer of construction projects. An example of this is Heathrow Terminal 5.
- 1.4.7 Infrastructure: The rail freight industry facilitates both the maintenance and renewals of the rail networks for Network Rail. Indeed, Network Rail is the single biggest customer of the freight industry.

1.5 Delays to motorway traffic are increasing as network congestion increases. If the economy is to grow, we need to create capacity for rail freight movements and remove traffic from the roads. INRIX suggests that congestion on the roads currently costs the UK economy £4.3 billion per annum. In terms of lost time to the commuter, this cost amounts to £331 for each individual, or

¹ Office of Rail Regulation, *National Rail Trends*, October 2009

² Office of Rail Regulation, *Freight access charges consultation document*, 2012. Found at: <http://www.rail-reg.gov.uk/pr13/PDF/freight-charge-consultation-may2012.pdf>

£2.7 billion in total. Meanwhile, hold-ups to business or freight vehicles amounts to £1.1 billion annually being added to household costs.³

1.6 In order to grow the UK economy, the freight industry requires full, intelligently coordinated access to ports. However, there are currently three main barriers that stand in the way of rail freight's access to ports that policy-makers need to consider. In summary, these are:

- 1.6.1 The rail freight industry needs an aligned growth strategy and investment plan for ports and rail as one system: The freight industry is suffering under decision-makers who lack a joined-up approach to policy making on ports.
- 1.6.2 Policy-makers need to understand freight not in a standalone manner but as part of a wider economic conversation: The rail freight industry acts as a gateway for aggregates, retail, energy and other sectors of the UK economy to grow. It is essential to facilitate their growth in the right manner by supporting the rail freight industry.
- 1.6.3 The rail freight industry needs a regulatory regime that promotes competition: Allowing particular companies to hold control of ports is stifling the growth of rail freight and the economy as a whole.

³ The Telegraph, *Traffic congestion costs UK economy £4.3 billion a year*, 10th December 2012. Found at: <http://www.telegraph.co.uk/finance/newsbysector/transport/9734126/Traffic-congestion-costs-UK-economy-4.3bn-a-year.html#>

Chapter 2: What should be the priorities for improved access to ports and why?

2.1 The number one priority for improved access to ports should be an aligned growth strategy and investment plan for ports and rail as one combined system. Ports are the key source of demand for the rail freight industry and suitable investment therefore needs to be clustered around this source. However, the existing piecemeal approach that has so far driven investment in the key rail freight corridors serving the UK's strategic ports has meant that certain aspects of a corridor are invested in without due cognisance of the whole route. In addition, this approach has appeared to randomly prioritise particular ports and commodities at the expense of others.

2.2 This piecemeal approach is reflected in the historical mismatch between the Department for Transport's (DfT) policies and priorities in comparison to the privatised port owner's investment plans to improve efficiency in handling freight volumes.

2.3 For example, there has been considerable investment directed by the DfT and implemented by Network Rail in the infrastructure on the freight route from the port at Southampton to the distribution centres in the Midlands and the North. Paradoxically, ABP at Southampton have not invested in quayside railway facilities as they do not regard the risk as being worthwhile.

2.4 The port of Felixstowe is another clear example of a lack of alignment in investment plans at UK ports. Felixstowe's planning permission for the second stage of the dock development was granted on the basis of the port paying for partial double-tracking of the branch line from Ipswich to Felixstowe. This second stage has not yet started (leaving only a single track 10-mile branch line to serve the port), there are seemingly no plans to rectify this, and there is no legal obligation on the port to double track the branch. This is despite Hutchinson Port Holdings Group, the owners of the port, investing £40 million in a new rail terminal to support its business growth.

Chapter 3: Is the delay in producing a National Policy Statement for National Road and Rail Networks creating a problem for improving access to ports? If so, in what ways and where?

3.1 A fully coordinated approach to ports and rail policy is necessary in order to ensure that their contribution to the national economy is maximised and that port operators, local authorities and others are aligned on their objectives. A National Policy Statement for National Road and Rail Networks could help to play a role in ensuring that this happens, and any delay is therefore going to have a detrimental impact on improving access to ports.

3.2 It is often the case that policy and politics are heavily passenger-focused. However, this means that the rail freight industry can be overlooked and not given due consideration by policy-makers. The National Policy Statement for National Road and Rail Networks is an opportunity to ensure that there is an appropriate balance between passenger and freight policy.

3.3 Whilst GBRf welcome the development of the Freight Route Utilisation Strategy by Network Rail, the company believes that there is a lack of a long-term asset management strategy for freight routes. For instance, GBRf is a keen supporter of electrification, particularly in relation to the deep sea container market, and is very enthused by the opening of the Nuneaton North Chord. This is a very important element in creating a vital freight corridor from the Port of Felixstowe to the Midlands and the North West. However, GBRf is extremely frustrated that the Government's plans to electrify parts of the rail network do not include the busy Nuneaton – Felixstowe corridor that would enable electric locomotives to haul containers to the Suffolk port and to capitalise fully on the Nuneaton North Chord. The Policy Statement is an opportunity to bring the treatment of freight assets in line with the policy for passenger routes.

3.4 There are substantial inconsistencies in recent approaches to planning permissions for investment in ports across the UK.⁴ This has led to calls for an equal approach made by Government to port development. GBRf would recommend that there be clear and unambiguous long term policy guidance from Government on their plans for investment.

⁴ See the different approaches taken to investment in the ports of Thames Gateway, Felixstowe, Southampton and Liverpool as clear examples of this patchwork approach.

Chapter 4: How satisfactory are the current and proposed decision-making structures, including Local Transport Boards?

4.1. Unlike passenger rail, which may benefit from devolution to Passenger Transport Executives, freight requires a single guiding authority at the national level because freight corridors often pass through multiple routes. At the moment, the decision-making is largely within DfT and subject to micro management. This is in contrast to passenger issues where, since the McNulty Review the industry *via* the Rail Delivery Group and Network Rail, work jointly to arrive at the best value outcome.

4.2 The lack of a central decision-maker has an impact on the way that developments of rail freight corridors are funded. At the moment, the monies for such works tend to be supplied *via* the Strategic Freight Network fund (SFN). This fund sits within Network Rail, but the DfT provide direction with regards to spending priorities. In order to streamline the decision-making process, the new Freight Director at Network Rail should manage the SFN fund. Part of this role should be to adequately consult with interested parties on spending priorities on the freight network.

4.3 A fully functioning decision-making structure should consult regularly with leading stakeholders. At the moment, for example, the role of Local Enterprise Partnerships (LEPs) has not been utilised to its full advantage. The freight and logistics industries are critical to the ability of businesses to grow and create jobs and there should be greater consultation with LEPs and other leading stakeholders to ensure that thinking is joined up.

Chapter 5: To what extent can investment in road and rail infrastructure influence the market and regional decision-making on port development?

5.1 Proper investment in road and rail infrastructure is naturally going to positively impact port developments. In the past, it was Government policy to match any private sector investment in the quayside and handling facilities at ports. However, match funding is a successful way of improving access to ports and should be re-adopted as Government policy.

5.2 There should be an integrated strategy targeting gauge clearance of routes and increasing capacity for rail freight (*via* investment in signalling system) in order to stimulate demand and encourage private sector investment. This should be informed by dialogue with port owners on their asset management/investment plans and dialogue with local authorities on their planning policy for the ports.

5.3 In order to unlock private investment in port infrastructure, investors also require clear decisions from Government on planning permissions as well as clear and unambiguous policy commitments to investing in Britain's infrastructure.

Chapter 6: Are decisions on port development taking sufficient account of the traffic generated by ports and associated development needs?

6.1 The planning approval process for ports tends to focus on development needs in the immediate vicinity of the ports as this is where the jurisdiction of the planning authority lies. As part of the planning process, there should be a wider remit to examine the development needs on the rail corridor serving the port. Often the capacity constraint might lie on the rail network up to 100 miles away from the port itself.

Chapter 7: How realistic are current assumptions about rail's modal share of ports traffic? Under what circumstances could rail freight or inland shipping play a greater role in reducing port-related road freight?

7.1 The DfT maintains forecasts for port traffic in the UK and the impact of traffic numbers on inland distribution.

7.2 In general, these forecasts are based on the existing status quo which is one that is heavily weighted towards ports in the South East. Some consideration is given to scenarios with increases in transshipment, but there is little consideration given to scenarios where ports in other areas grow their port traffic. This is despite that fact that ports outside of the South East are seeking to develop their capabilities (including Bristol, Liverpool and Tees). As a result, current assumptions remain focused on the South East despite the fact that developments at other ports could generate a shift in distribution patterns to and around the UK.

7.3 In terms of Network Rail's investment, too much priority has been given to the intermodal ports to the detriment of the bulk ports. The assumption appears to be that container or intermodal freight will be encouraged off road and onto rail and that bulk commodities have to go on road. The justification for this investment is clearly driven by the environmental objective to reduce lorry movements. As a result, Network Rail is missing the opportunity to encourage a greater volume of bulk commodities onto the rail network.

7.4 For example, the decisions being taken by the Department of Energy and Climate Change on the burning of biomass will have a direct impact on the number of freight trains operating from bulk ports (in particular, the Port of Immingham and the Port of Tyne) as biomass is two thirds the density of coal. No linkage has been made between the decision by the Department of Energy and Climate Change and the need to create capacity and improved access to a number of the key ports that serve the generation market.

Chapter 8: Are there any regulatory barriers to investment in ports? What could and should be done about them?

8.1 The regulatory regime for ports must promote competition in order for services to improve and costs to drop. As a rule of thumb, increased competition at ports will also result in an increase in rail freight traffic levels. The industry's recent growth has in large part come about from an effective open access regime which allows for incumbents and new entrants to enter markets and grow within a stable regulatory structure.

8.2 However, there are currently a number of individual operators who have control of the unloading facilities within a port. For instance, the port of Southampton is an example of where access is currently restricted to a single operator on the basis that the unloading facility has insufficient capacity. This is a clear barrier to growth when there is demand from potential customers that is currently unable to be fulfilled. If the unloading facilities were managed as part of the national rail network then it may well be possible to investigate operational solutions or make a business case for investment to allow multiple operators to use the facilities and satisfy the latent demand. This would therefore remove more lorry movements from the road network.